

FINAL MEETING SUMMARY

HANFORD ADVISORY BOARD BUDGETS AND CONTRACTS COMMITTEE MEETING February 9, 2006 Richland, WA

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This is only a summary of issues and actions in this meeting. It may not represent the fullness of ideas discussed or opinions given, and should not be used as a substitute for actual public involvement or public comment on any particular topic unless specifically identified as such.

Welcome and Introductions

Gerry Pollet, Budgets and Contracts Committee (BCC) Chair, welcomed the committee and introductions were made. Changes to the January meeting summary were incorporated, and the summary was adopted.

Gerry said the goal of the meeting was to discuss the Department of Energy's (DOE) three-contract strategy as a replacement for existing Hanford cleanup contracts. He said the Hanford Advisory Board (Board) has issued advice about contracting, which included concerns stemming from recommendations in recent Government Accountability Office (GAO) reports. The two main Hanford contracts, the Project Hanford Management Contract (PHMC) managed by Fluor Hanford (FH) and the Tank Farm Operations Contract (TFC) managed by CH2M Hill Hanford Group (CHG), expire on September 30, 2006. Gerry indicated the Board looks forward to providing input on the development of the requests for proposals (RFPs) for the new contracts.

Contracting Strategy

Leif Erickson, Department of Energy-Richland Operations Office (DOE-RL), welcomed the Board's advice on contracting. He presented and reviewed a talking paper on DOE contract procurement, and explained that he was unable to share some information about the procurement process due to federal regulations. By design, federal procurement regulations, specifically the Procurement Integrity Act, guide DOE's procurement process. Therefore, limited information can be released, and that which is released must be done according to guidelines. The information that can be released early in the RFP process is called "Exchanges with Industry," which improves the understanding of government requirements and industry capabilities.

Leif believes there is good alignment between DOE-RL's procurement process and the Board's advice on safety and contracting strategies. He said there would likely be some opportunities for the Board to issue advice during the next generation of Hanford contracts.

Leif said he has requested that a communications summary be produced by the successful contractor or DOE following a contract award. A communications summary was required in the River Corridor acquisition process, and was announced during post-award press releases and posted on the Hanford website. Leif asked the committee to review this summary to determine if it is effective and useful.

Leif provided copies of the special notice issued on Hanford Central Plateau Acquisition, which was intended to provide information on DOE's approach to the contract acquisitions. He said the Department of Energy-Office of River Protection (DOE-ORP) and DOE-RL both consider contracting a Hanford site-wide issue. DOE is proposing three new prime contracts: 1) Hanford Mission Support Contract for information management, site utilities, and a broad range of site services managed by DOE-RL; 2) Waste Material Storage and Disposition Mission Contract to be managed by DOE-RL; and, 3) Tank Farm Operations and Closure Mission Contract to be managed by DOE-ORP. These contracts would be secured and implemented in a phased approach over the calendar year. The River Corridor Contract is another existing mission control contract. DOE is focusing on using mission support to effectively contract with small and medium-sized businesses. There are statutory requirements to use small business, and DOE will likely implement a three-tier approach, to set aside work for small businesses, provide meaningful subcontractor work opportunities, and define future opportunities for small businesses. Leif said an exhaustive inventory of the current work activities was conducted. The majority of work is currently being done under the PHMC. He indicated that current mission support work will be transferred to the new Hanford Mission Support Contract.

Leif emphasized that the earlier DOE-RL receives advice from the Board, the more impact it will have on the contracting procurement process.

Regulator Perspectives

- Melinda Brown, Washington State Department of Ecology (Ecology), said DOE's contracting approach is of interest to Ecology in so far as no contract is allowed that ignores regulatory agreement and consent orders, and contract awards or extensions do not serve as an excuse to interrupt or renegotiate cleanup work. Ecology is interested to see how DOE contracting will work considering the impact of the recent fluctuating budgets on contract extension and future budgets.

Committee Discussion

- *Is there a timeline for when new contracts will be implemented?* Leif said the duration of the contract extension is interdependent with other planning processes, which could take up to two years. Pam Larsen commented that the local communities have asked for an extension of existing Hanford contracts due to the Fiscal Year 2006 (FY06) budget shortfall.
- *Is there an avenue for discussing, at the policy level, apart from the procurement process, the importance of considering potential contractors' safety record?* Referring to accidents at the Plutonium Finishing Plant (PFP) and current contractors' efforts to keep up with the work, Vince Panesko commented that it is imperative new contractors have strong safety records on decommissioning and demolition (D&D) work. Leif said DOE-RL could provide a senior-line safety official to discuss these issues with the committee. He said DOE-RL considered safe work performance in the procurement of the River Corridor Contract and reiterated DOE welcomes those recommendations.
- Gerry commented that it is important to make contract procurement communication summaries publicly available.
- *Do contractors publish their scope of work approach before a contract award is made?* Leif said every contractor has sought protection through a sealed bid. Contractors who submit proposals can request special information releases if they choose.
- *How much detail can DOE provide on the factors that lead to contractor selection?* Leif said specific information on the contractor selection is probably the most closely watched and carefully reviewed part of the procurement process. The process requires an independent review to render an independent decision, and all the information is protected.
- *Is it possible for DOE to detail the procurement process experience, to highlight the success of the winning contractor?* The public wants to receive enough information to have confidence in the contractor selection. Leif explained that information about the contractor procurement experience is protected. He said he would consider the idea to highlight the success of a winning contractor. Vince suggested asking successful contractors what information they would like to see in a news release. Keith Smith noted that this has been done with some previous successful contractors.
- *Can DOE-RL discuss anything relating to employee continuity and benefits in the procurement process?* Leif said he has been an advocate for treating contractor employees fairly at Hanford. He said contractor employees receive DOE benefits as long as they remain an employee. DOE will not take benefits away from those currently receiving benefits; however, benefits for new employees will be different.
- *Has DOE developed any lessons learned from previous contracts that have contributed to the new contracting concept of mission support?* Leif said DOE-RL identified similar situations where other agencies were doing high-intensity, high-security work activities, and the common approach was mission support with various missions divided among separate contractors. DOE-RL intends to use the project planning capabilities of mission support to frame project components to help

negotiate cleanup end states. Some committee members expressed concern about new mission contractors actually negotiating cleanup end states, since regulatory agencies and DOE are the entities responsible for negotiating end states. Leif said this planning is for future project work, and the intent is to have resources to plan and organize project work.

- Gerry said the public expects the government to define and negotiate end states; the government should not delegate this responsibility to contractors. He reiterated past concerns about contractors working towards end states that were not defined by the regulatory agencies. Leif said individual contracts might include an end state agreement, but that the ultimate cleanup end state is often not well-defined. Involving mission support contractors in end state decisions provides an opportunity to more adequately define end points and grow projects. Gerry suggested revising language in the current acquisition materials to clearly state that contractors do not have roles in negotiating end states, that this is a regulatory decision, and that the contract must include the regulatory determinations in the scope of work.
- Leif responded that he understood the language used needed changes as it implied that the contractors would be negotiating end states, and, that this was a governmental function.
- Concern was expressed that the proposal envisions DOE would be paying for the infrastructure contractor as well to perform what are supposed to be governmental functions in developing baselines, regulatory compliance, etc...
- Al Boldt expressed concern about the administration of employee pension and benefits under the new contracting system. Leif explained that FH currently has the responsibility of administering pension and benefit plans, but multiple contractors participate in the plans. DOE is seeking to develop an effective and efficient solution for administering these plans into future.
- *Will DOE-RL and DOE-ORP receive procurement support as part of the services available to both offices?* Leif said the intent of the project planner is to be used by both DOE-RL and DOE-ORP.
- *How is information technology addressed in the new contracting system?* Leif said information technology capability is covered in the mission support contract.
- *How are groundwater monitoring and management activities covered by the new contracting system? Concern was expressed that it was inappropriate to include groundwater monitoring in the infrastructure contract. Rather, it should be integrated with the expertise in groundwater action.* Leif said DOE-RL is considering the best way to align the groundwater management project with the new contracting structure, and reiterated DOE-RL will consider all Board advice.
- *Is there any likelihood infrastructure costs would be given their own project baseline summary (PBS)?* Maynard commented that infrastructure funding has been an overhead cost in the budget process. Leif said the mission support contractor is a service provider, and will have to determine the best mechanism for funding infrastructure services.

- Ken Gasper expressed concern about the Hanford Mission Support Contract having responsibility for analytical laboratories, since there are major analytical laboratories in other areas, such as the tank farms. Leif said the Waste Treatment Plant (WTP) is not covered by these three new contracts. DOE has not reached a final decision about how to cover the analytical labs. Leif commented that crosscutting issues, such as the analytical labs, are the most difficult to determine how to address.
- *Will any information be available about contract incentives?* Leif said the incentive structure for the contracts is not ready for review, but will be available at the time the draft RFP is issued.
- Harold Heacock commented that DOE would have to do more program management with the way the contracts are being split.
- Todd Martin suggested the committee determine whether the contract extensions are good or bad, and include a statement as a follow-up to previous advice calling for contract extensions. Gerry cautioned that it is important to be careful issuing advice on this issue, since it is unclear how DOE will stagger the new contracts. Until the RFPs are available, he does not believe there is much for the Board to say.

The committee discussed advice topics for the April Board meeting:

- Concern about groundwater being included in the scope of the Hanford Mission Support Contract, and the desirability of one contractor with expertise being responsible for monitoring and other groundwater actions, rather than separating monitoring for inclusion in the infrastructure contract. Groundwater cleanup and management need to be clearly integrated. If a new contract is necessary, it is important to award the contract to a contractor with adequate expertise.
- Contract procurement materials should better define that cleanup end states are a regulatory determination and that the contractor will be expected to meet those regulatory end points. The Board should be supportive of contractors helping to more adequately define project end states; this is different than negotiating cleanup end states, which is done by DOE and the regulatory agencies.
- Concern about implementing two Human Resources programs to administer pension and benefit plans. Keith said this has always been an issue for the work force. In addition, the cost is considerable, since every time there is a redundancy, it is an additional expense. He said he believes this is what made PHMC difficult to manage. Al said there are possible issues relating to perceived differences in benefits. He said there were problems with dividing DOE pension plans into a two-tiered approach between old and new employees in Los Alamos, New Mexico, where some people perceived the benefit packages having different values. Gerry commented that just because there may be an industry trend towards cutting pension plans, that does not mean it is appropriate for a government site to do the same.
- Referring to past Board advice, urge DOE to look at contractors' incentive performance.

Comment [GMP1]: We did NOT say anything about the current contractors being qualified or desirable.

Gerry and Keith will draft advice for circulation to the committee.

Committee Business

The committee decided a conference call was not necessary. A date for a March meeting is TBD based on when DOE will be submitting the FY08 request, probably later in March.

Interested committee members took a tour of the DOE-RL Integrated Project Team (IPT) office.

The committee joined the Tank Waste Committee for a joint agenda item: Review of 2005 Army Corps of Engineers Report and Status of Management Issues at the Waste Treatment Plant. That discussion is summarized in the Tank Committee meeting summary for 2/9/06.

Action Items / Commitments

- If the committee is interested, Leif said DOE-RL could provide a senior-line safety official to discuss policy-level issues regarding contractor safety records.
- Leif requested a copy of the meeting summary to share with industry representatives.
- Gerry Pollet and Keith Smith will draft advice on the acquisition strategy for the April Board meeting.

Handouts

NOTE: Copies of meeting handouts can be obtained through the Hanford Advisory Board Administrator at (509) 942-1906, or tholm@enviroissues.com

- Talking Paper for February 9, 2006, Meeting with Hanford Advisory Board Budget and Contracts Committee, Leif Erickson, DOE-RL, February 9, 2006.
- Washington Closure Hanford Executive Summary, February 9, 2006.
- Hanford Central Plateau Acquisition – Special Notice, Alan Hopko, DOE-RL, December 31, 2006.

Attendees

HAB Members and Alternates

Al Boldt	Jerri Main	Gerry Pollet
Dirk Dunning	Todd Martin	Wade Riggsbee
Earl Fordham	Vince Panesko	Keith Smith
Harold Heacock	Bob Parazin	Gene Van Liew
Pam Larsen	Maynard Plahuta	Dave Watrous

Others

Steve Chalk, DOE-RL	Melinda Brown, Ecology	John Kristofzski, CHG
Leif Erickson, DOE-RL		Jerry Bosley, FH
Karen Lutz, DOE-RL		Tom Harper, FH

		Bob Heck, FH
		Barb Wise, FH
		Lynn Lefkoff, EnviroIssues
		Jason Mulvihill-Kuntz, EnviroIssues
		Annette Cary, TCH
		Sharon Braswell, Nuvotec/ORP
		Ken Gasper